



Lloyds Bank Limited
MONTHLY REVIEW
NOVEMBER 1931



Lloyds Bank Limited

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PAID-UP CAPITAL	£15,810,252
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Monthly Review

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November, 1931

No. 21

The Election and After

SOME months ago a leading organ of public opinion published the following statement in its City Notes, under the heading: "The Financial Failure of Democracy."

"The task of a financial administration under an uninformed democratic regime is enormously greater than under an informed autocracy, and no fact stands out more vividly in world finance to-day than the failure of democracy in the realm of economics and finance. This may not always remain the case, but up to the present the failures are so numerous and serious as to leave no room for doubt in the minds of impartial observers that democracy and weak finance go hand in hand."

If the distinguished authority who penned these lines had written after October 27th he might have mitigated the severity of his condemnation. Be this as it may, the National Government, under the inspiration and leadership of Mr. Ramsay MacDonald, Mr. Baldwin, Sir John Simon, and Sir Herbert Samuel, have demonstrated once again the wisdom and truth of the maxim that "in politics the spectacle of sheer courage is often quite as good in its influence and effect as the best of logic."

To what, apart from this, is the greatest electoral triumph ever seen in these islands to be ascribed? In the first place the electorate evidently opined that the Ministers who resigned from the Labour Government last August put up a feeble case, and apprehended that all they offered now was a scheme of illusory compensations and dislocated expedients, with serious risk to the real wages, the savings, and indeed the livelihood of everyone. In the second place it will be recognised that Mr. Snowden's firm grasp of his subject, his unity of argument and trenchant dialectic, have thrown the detractors of the

National Government into a depth of confusion which might have satisfied the Psalmist himself. If invective has been keen, irony has been keener still. But what has been arresting in the history of the past weeks has been the moral appeal of the National Party leaders, their "masculine invocation of the intellectual and political courage" of the electorate. "We may rejoice in democracy," wrote Morley fifty years ago, "or we may dread it. Whether we like it or detest it . . . the inquiry into this subject calls for the best qualities of philosophic statesmanship and vision." Mr. MacDonald and his associates have shown those qualities.

Economic truths may be trusted to prevail wherever they are found, and the assurance that they will again be respected in Great Britain is of immense import for the welfare and prosperity of our country and of the entire human race. But a main source of gratification in the result of the election is its strong confirmation of the vital principle of parliamentary government by a constitutional democracy; for this was the central issue which had been raised and challenged in its most acute form by the dictation of that *imperium in imperio*, the Trades Union Council; and upon the maintenance of our heritage of parliamentary democracy, our finance, our progress, and our very civilization depend. It is a fundamental conception of British policy that problems can only be fairly judged in the light of open debate in Parliament; they cannot be equitably solved by a sectional body which often moves in a mysterious way.

The National Party polled, as the figures show, the full Conservative vote, practically all the Liberal vote, and perhaps as much as one-fifth of the normal Labour vote. The measure of national agreement is phenomenal, the strength of the public spirit is incomparable, especially if we bear in mind the unopposed returns, and the National Party votes those returns mainly represent.

Turning now to the future, what is the general policy that the National Government is taking office to support? It is the policy of peace abroad, of economy, of financial equilibrium, of steady resistance to abuses, and promotion of practical improvements at home.

The electorate have given Mr. MacDonald and his supporters a free hand to deal—in the light of the best, and comprehensive, expert knowledge which the Government alone can command—

with every phase of the present world emergency. It is the duty of all supporters of the National Government, whatever their opinions of particular questions may be, and however strongly they hold those opinions, not to try to force the hand of those who will be immersed in the great mart and exchange of public affairs. For it would be more than idle, and less than honest, to deny that there are but a very few people possessed of the knowledge that enables them to see, for example, the fiscal question as a whole; full knowledge of that subject, which is one of infinite complexity, prohibits too ready generalizations, and nothing makes people reason so badly as partial knowledge or ignorance of the facts and their probable reactions. When the large features of our present emergency, with the fitting remedies, have been analysed and determined, we can surely rely upon this Government to exhibit them with cogent and persuasive mastery.

It is the strength of the National Party that their leaders unite a capacity for practical improvements, and a desire to achieve the restoration of confidence in our economic sanity, with generous hopes for mankind and with broad and glowing sympathy with the needs of the labouring mass. The paramount and insistent necessity at home is to bring men to work together, to rise above sectional views, to eschew all extremes.

It is, moreover, only by the maintenance of unity at home that we can avoid a collapse in the day of performance abroad. There is no room to doubt that the ardent wish of the entire electorate is that in foreign affairs our country should lead in moderation, in humanity, and in a desire to reconcile.

The importance of stable government at the centre of the British Empire has rarely been greater than now, since it forms the basis of our authority in international affairs. It is useless to blind the eyes to realities, for seeds are germinating which may spring up in international conflicts; the Treaty of Versailles and cognate agreements left a coil of warring interests and discordant materials. Amongst the statesmen who will figure in the new Cabinet will be men who have already proved themselves to be strong in large survey of broad social facts, in power of scientific analysis and sustained chain of reasoning. If once there is clear perception of aim—which must include security as well as justice—we may rest confident that these statesmen will show strong grasp of the fitting means. Amplitude in the preparation of their designs is, however,

imperative, for whole countries are now repenting earlier diplomatic precipitancy in sackcloth and ashes of economic *malaise*. It is in the effort to uphold and quicken the growth of right in foreign relations that the British Government have, owing to our pivotal position, an unrivalled opportunity. The great Dutch jurist and realist, Cornelius van Bynkershoek, showed long ago that faith is the one thing that can beget peace: "If faith fails," he wrote, "all international intercourse, yea international law itself, utterly collapses."

** * It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

The Case for Post Office Reform

By The Right Hon. Viscount Wolmer, M.P.

THE Post Office is two distinct things—a great Government Department and one of the largest commercial enterprises in this country.

Under the first category come the distribution of War, Old Age and Widows' Pensions to their recipients throughout the country, the sale and repayment of savings certificates, and the sale of insurance stamps, revenue stamps and various licences. In these transactions the Department annually collects some £118,000,000 and pays out about £168,000,000 on behalf of the State. Taken as a whole, this great work is admirably and economically performed. It is the sort of work for which Civil Servants are specially qualified and the administrative machine runs smoothly and well. But in fact these operations occupy but a small part of the staff and resources of the Post Office. The actual payments and collections are made at some 20,000 offices, mostly very small, and the accountancy is done by 8,000 clerks at headquarters. In volume and importance the Governmental functions of the Department are completely overshadowed by its commercial side.

This great industry gives employment to a staff of 230,000 and represents a capital investment of £140,000,000. It

transmits six and a half thousand million postal packets, 160,000,000 parcels and 56,000,000 telegrams, and handles fourteen hundred million telephone calls every year. Its Savings Bank deposits amount to £294,000,000. With the exception of the L.M.S. it is the biggest business in the country. Inasmuch as it has a monopoly of all means of written and telephonic communication its efficiency is a matter of vital concern to the commerce of the nation. Four years' experience of the Post Office in a subordinate capacity convinced me that its commercial efficiency is not what it ought to be, and that failure in this respect has caused unnecessary hardship to the great staff employed, serious injury to commerce and heavy financial loss to the Exchequer.

The public, though constantly irritated by the Post Office, is sometimes apt to think that the vastness of the statistics just quoted is evidence that, on the whole, the Department is well managed. But the amount of business passing through the hands of a monopoly is no accurate index of that monopoly's business efficiency. It is rather an index of the importance that the monopoly should be efficient.

The examples of inefficiency which I have thought it necessary to publish elsewhere constitute a grave indictment of the system under which the Department is at present organized. In this article I propose to recapitulate some aspects of the case I have brought forward, quoting some fresh figures and repeating others I have previously at different times made public, and commenting on the replies which the late Postmaster-General, Mr. Attlee, or his predecessor, Mr. Lees-Smith, have given to them. In order to confine the discussion within manageable bounds, I have concentrated my criticisms on the three main Departments of Telephones, Telegraphs and Mails, but the case does not end there and could be pursued through many ramifications of St. Martin's-le-Grand.

THE TELEPHONES

The Telephone Service is particularly the child of the present Post Office regime, and the result after 19 years is not encouraging.

During its career the National Telephone Company paid the State royalties amounting to £3,581,272 and made a profit as well. Since the Post Office took over the service in 1912,

the charges to the public have been greatly increased on account of post-war costs, but, nevertheless, after allowing for interest on borrowed capital, the Post Office has made an aggregate net loss of £1,430,180 up to March, 1930, which is now being slowly reduced by small annual surpluses.

It is only fair to state that when the Post Office took over the telephones in 1912 they were in a very unsatisfactory condition. Although the National Telephone Company held most of the local lines, the Post Office controlled all the trunk lines, and various municipalities had local telephone systems of their own. This system was in itself chaotic, and the fact that the licence of the National Telephone Company was due to expire in 1912 had not conduced to improvement of plant during the immediately preceding years. The intervention of the war also delayed the Post Office in its task, although it enabled the Department to sell much of its obsolete movable plant to the War Office at a very favourable figure. But after the lapse of 19 years and the expenditure of immense sums of money, these difficulties ought by now to have been overcome. Yet Great Britain occupies twelfth place among the countries of the world in telephone density, and London stands twenty-seventh amongst the world's cities.

The cause of this ignominious position is not, as some people have supposed, Treasury restriction of capital. It is true that if we were to be adequately developed telephonically we should require a great deal more capital than the £12,000,000 per annum hitherto allowed by the Treasury; in fact, it would be difficult for the Chancellor of the Exchequer to sanction the necessary loans without embarrassing his own debt operations. But the allowance has been at present sufficient to keep pace with the demand. It is lack of demand, and not lack of capital, that is throttling telephones in Great Britain, and lack of demand is caused by high charges, inferior service and lack of publicity.

More money could not be spent on developing the service under its present management without further and increased losses to the State. The greatest obstacle to progress is high charges. Our telephone charges in comparison with the general wage level of each nation are a great deal higher than in those of the leading telephone countries. It is difficult to make exact comparisons because the conditions of service in different countries vary considerably, but in many cases the

discrepancy between British and foreign rates is too great to enable us to remain satisfied with the official plea that the two are not comparable. For instance, telephone charges in Swedish, Swiss, Italian and Belgian towns are less than half those of English towns, and in Danish, German and Norwegian towns slightly more than half.

If we take rural rates we find that the telephone costs the English subscriber half as much again as it costs an American living in New York State, about double what it costs a Canadian or Australian, and more than double what it costs a Dane or a Swede.

Similarly, if we compare the ordinary trunk telephone rates in England, Sweden and Germany we get the following result :—

	MORNING RATE			
	100 miles	200 miles	300 miles	400 miles
	s. d.	s. d.	s. d.	s. d.
Sweden	0 6½	1 0	1 2½	1 9
Germany	1 6	2 1½	2 5	3 0
Great Britain	2 6	4 6	5 6	6 6

Why is it that our charges are so high and yet we can barely make the service pay? The answer is that our costs are wholly excessive.

Compare our costs with America, a country of high wages, and very intensive telephone development—a factor which does *not* make for reduction in costs, as every telephone administration knows. On December 31st, 1928 (the latest date for which I have the figures), the Bell system of America had a plant investment figure of £672,625,636; ours at March 31st, 1928, was £126,088,000. But for their outlay the Americans had 14,500,000 telephones, whereas we had only 1,630,000. In other words, every American Bell telephone had cost £46·7; every British telephone had cost £77·31. If our telephone system had been constructed as cheaply as the American, instead of costing £126,000,000 it would have cost £76,000,000. The solitary practical advantage that we can point to in compensation for this difference is that a higher proportion of British lines are laid underground. The value of this amenity calculated at American costing rates is less than £6,000,000, and £44,000,000 remains to be accounted for. That is a staggering figure, and equally disturbing figures could be produced from

any of the well-developed European countries. The Swedish plant investment cost works out at £31·6 per telephone, excluding land and buildings and private telephone systems. Such a figure would have given us our present telephone development at a cost of £52,000,000—a saving of £74,000,000—a very ample margin for the items omitted.

The Postmaster-General of the day, Mr. Lees-Smith, confronted with these figures in the House of Commons on February 12th, 1930—was not able to deny them.

He pleaded that the discrepancy was largely due to the higher percentage of American lines that were above ground, and argued that we gained commensurately in smaller depreciation costs as a result. But that is not so. Eighty-three per cent of the British mileage was underground and 66 per cent of the American. Our plant investment cost on underground work was £56,750,000 and if it had been 17 per cent less there would have been a saving of £11,168,000. But since the American Bell costs of underground work are less than half ours, it is not legitimate, in making the comparison, to allow more than £6,000,000 on this account. This we have already done, with the result that £44,000,000 remains unaccounted for. As to depreciation costs, Mr. Lees-Smith's own figures (extracted subsequently) are as follows :—

Annual cost of maintenance and depreciation per telephone.

				American Bell	Post Office
				£	£
Maintenance	...	...	...	2·25	1·72
Depreciation	...	...	...	2·24	3·18
				£4·49	£4·90

Further comment on this argument is surely unnecessary. That it should have been offered to the House of Commons by the responsible Minister in a "winding-up" speech, when no reply was possible, is a significant index of the value of "Parliamentary control."

Dealing with the Swedish figures on the same occasion, Mr. Lees-Smith criticized the Swedish system by which rural subscribers in undeveloped districts are required to put up their own wires and exchange, and maintain them until the area is on a self-supporting basis. He declared that if we had

applied Swedish conditions to this country the greater part of our rural telephone development would have been wiped out. But the proof of the pudding is in the eating, and the following figures speak for themselves :—

	Great Britain	Sweden
Telephones per 1,000 of population	36	77
Telephone conversations per head	28	114
Numbers of Telephones for every £10,000 of National Income (after taxation)	5·7	17·5

The principal reason for this discrepancy is that owing to the methods adopted the telephone costs the Swedish subscriber much less than it costs the English.

In many cases rural subscribers can erect their local system much more cheaply than can a central authority, and if we had adopted this plan in England many millions would have been saved both to subscribers and to the State. But the Post Office has preferred to do things in the most expensive manner. If details be examined it will be found that in nearly every case our costs have been much greater than those of countries with high telephone development. But far from profiting from their examples the Post Office, until quite recently, was entirely ignorant of them. Until Sir William Mitchell-Thomson became Postmaster-General no sort of attempt had been made to keep in touch with foreign methods and costs. Missions which he sent to Sweden and America in 1926 brought back reports which were a revelation to the Department. As a result of the Swedish mission's report no less than 4,000,000 man hours were saved the next year in telephone construction, and since then much greater economies have been made.

I have not here space to deal with what is almost as great a cause of our telephone inferiority as is high costs—inability to cater for the needs of the public. But the public is already well aware of this shortcoming. The constant irritation caused by the telephone service is largely due to the fact that official mentality has no conception of seeking the needs of the public and meeting them. Its attitude is rather that of Procrustes trying to earn his living as a boarding-house keeper, and wondering why the public did not respond.

It is these two factors, coupled with the lack of publicity, which lie at the root of our telephone inferiority.

Whenever our telephone density has been compared to countries such as America or Sweden, the official reply has always been that the conditions in those countries and the habits of the people are different from ours. When this argument has been applied in turn to each of the eleven countries that lead us in telephone development it begins to wear a bit thin, particularly as these countries themselves represent a range of diversity in conditions that covers every type of modern civilization. But there is a small example worth quoting just because that familiar objection cannot be made to it. It is to be found in the telephonic history of the Islands of Jersey and Guernsey !

Until 1923 the telephone system of Jersey was owned and controlled by the British Post Office, whereas that of Guernsey had always been owned and controlled by the "States of Guernsey." It is interesting to compare the relative telephone densities of the two islands at that date as no difference in their circumstances is known to exist, either racial, occupational, geographical or economic. It was as follows :—

	Population (1921 Census)	Number of telephones	Number of inhabitants per telephone
Guernsey (Independent)	40,120	3,060	13·1
Jersey (P.O.)	49,494	1,639	30·19

So the telephone density of Guernsey was more than twice that of Jersey. Nor can it be said that Jersey was a neglected foundling of the Post Office, for at that time Jersey was more telephonically developed than the rest of the Post Office system, which could only boast one telephone for every 41 inhabitants.

In 1923 Jersey obtained its emancipation from Post Office control, and since then has improved its telephone density by 100 per cent. It has to a large extent caught up Guernsey, having one telephone to every 14 inhabitants to Guernsey's one in ten.

Post Office management can, therefore, alone account for the difference in telephone development between the two islands. If the Post Office has been able to throttle 60 per cent of the telephone business on an island of 40,000 inhabitants, how much damage will an island of 40,000,000 inhabitants

have suffered? We do not require much imagination to realize the effect, in this single sphere, of the paralysing hand of officialdom on the unemployment problem and business efficiency of the country.

THE TELEGRAPHS

It is not necessary to make any detailed criticism of Post Office administration of the Telegraph Service, because this was done in 1928 by Sir Hardman Lever, Lord Ashfield and Sir Harry McGowan in their celebrated report, which created a mild sensation at the time. Although their terms of reference were restricted, these busy business men, after six weeks' investigation, had little difficulty in laying their fingers on the root cause of the failure. As "fundamental changes" which they considered necessary to efficiency they demanded complete re-organization, the severance of Telegraph, Telephone, Cables and Wireless from the control of politicians and Civil Service traditions, and they added, "This would naturally lead to heads of the Departments having particular qualifications for their posts, and to these higher posts being regarded as of a more permanent nature, carrying with them remuneration more commensurate with the responsibilities." They regarded the impossibility of getting rid of incompetent officials as "the root fault of the service." "They think that without the unhampered right of dismissal it is impossible to expect the Telegraph, Telephone or other services to show satisfactory results."

Subject to these considerations they made 17 detailed recommendations, some of which have been adopted, some of which have been rejected, and some of which have been pigeon-holed (like the Evelyn Cecil Committee Report on Telephones in 1922). The most important recommendation which was adopted was that "studies should be made of Imperial and Foreign methods."

Now, the Telegraph service had been run at an annual loss since 1871. These losses in all amount to over £48,000,000, of which £23,000,000 has been incurred since 1914. All this time the American Telegraph Companies had been making large profits, in spite of the fact that they had to fight the competition of a telephone service much more efficient than anything known in Britain. Yet no one in the Department had thought it worth their while to make investigation into the

methods employed in America and other countries. As in other directions, self-satisfaction blissfully dismissed the qualm that we had anything to learn from abroad.

When the Director of Telegraphs and Telephones visited America in 1919 he paid scant attention to telegraphs and in his report made no recommendations on the subject worth mentioning. Following the report of the Hardman Lever Committee, however, two high officials were sent in May, 1928, to Germany for four days, and to Holland for one day, and in October a larger party was sent to America for six weeks. As might be expected, the Dutch report did not contain much. The German report had a good deal of very useful information, a number of new ideas, and some valuable comparisons with England as regards costs, output and service. The American report was even more significant. Whereas the Post Office made a loss on the telegraph service the previous year of £1,380,000, the two principal American companies had made profits totalling more than £4,000,000. The American charges, though based on mileage, were on about the same level as the average British message, i.e., our average telegram was over 170 miles ; at that distance American rates were equal to ours ; for less distances they were lower, and for greater distances they were higher. The average pay of the American operator was 70 per cent higher than ours, and in addition he received annual bonuses on profits, but his pay depended on his proficiency and his output was 70 per cent higher. The organization of the companies was divided into areas, and the officer in charge of each area was responsible for making it pay. A comparison was thus obtained of the relative efficiency of individuals in a manner impossible under the Post Office system. Great economies were effected by a much wider use of modern machinery and scientific improvements, the service was more than four times as rapid as ours, which, with an extensive publicity, had developed a telegraph habit unknown in England.

Contrast this picture with our unhappy state. A moribund service declining every year, a constant loss to the taxpayer, a largely neglected commercial instrument, a nightmare to our unfortunate staff. On them the mismanagement falls hardest. As the service declines their prospects of promotion dwindle. They are imprisoned in a blind alley. They lose enthusiasm, then hope ; they are in danger of even losing pride in their craft. With nothing to look forward to but their pension,

they sadly acquiesce in the fate which has condemned their trade to stagnation and decay.

THE MAILS

The mails are the best organized of the commercial services of the Department. The organization has been built up by former generations and remains as the sheet-anchor of Post Office solvency. The profit on the mails has paid all the losses in other directions for years past. Last year it reached the huge total of nearly £10,000,000, although it must be remembered that this has been arrived at by the simple process—open only to monopolists—of adding 50 per cent to charges and greatly curtailing pre-war facilities.

But the same lack of business acumen and enterprise which has been criticized in Telephone and Telegraph administration can be detected in the administration of the Mails branch, and manifests itself in waste of money, inability to cater for the needs of the public, and ignorance of the work of other countries. Let us cite one or two examples within the limit of our space.

One of the most expensive items in the handling of mails is the cost of sorting. The Post Office pays about £5,000,000 per annum in wages to sorters and postmen for sorting work. Before the war the rate at which individual sorters worked was carefully watched and the rate of 40 letters per minute, which was fairly easy to a skilled man, was insisted upon. After the war a great deterioration of output set in, and the tests were discontinued. To solve the problem a joint committee of the Department and the Union of Post Office Workers was appointed in 1921 to consider the possibility of fixing standard rates of sorting. The committee sat for eight years, during which time it held only 21 meetings, and (except for an interim report delivered in 1922 which was never put into force) failed to reach any conclusion. During the course of its labours the following facts were established in evidence :—

1. There has been a great deterioration from pre-war standards.
2. Individual speeds vary greatly. Some men sort at the rate of 62 letters per minute, others at the rate of 18. The general average is about 30.
3. The difference between standards of different offices is marked ; e.g., the Western District Office of London

had a standard of 22·5, Manchester under similar conditions had a standard of 33.

4. The only sorters who had an incentive to speed were the sorters in the travelling Post Offices in trains, because they were allowed to rest when they had finished the bags on board. The conditions under which they worked were necessarily more difficult than at stationary offices, but, nevertheless, they maintained a rate of 42.

The committee was dissolved in 1929. It was then decided to resume the pre-war system of testing. The inauguration of this step was, however, deferred until November, 1930 (probably on account of the change of Government), and when testing did take place it was only resorted to in individual cases where the output fell materially below 30 letters a minute. Now a simple sum will show that if you are spending £5,000,000 per annum in sorting letters at the rate of 30 per minute, which might be sorted at the rate of 40 per minute, you are wasting £1,250,000 per annum. I do not suggest that it would be possible to save that sum immediately, because it would not be possible or fair to dismiss redundant sorters without full compensation, a certain margin of staff must be kept for emergencies, and structural alterations to certain offices are probably necessary for efficient output. But it is safe to say that since 1920 several millions have been wasted by the lethargic handling of this question.

It is fair to add that the Department has made some attempt to tackle the matter from a different angle; but the story is hardly more creditable. In 1922 the Geddes Committee discovered that there was no regular check in the Department as to the relation between volume of work and numbers of staff in the different offices! They recommended that "regular and systematic check of traffic and staff should be instituted for the postal services." After considering the matter for two years, the Post Office in 1924 instituted a system of annual returns covering 60 per cent of the work done in the provinces. The system proved a valuable reform, and gradually led to the saving of 1,000,000 man-hours per annum in the offices concerned. But since the average rate of sorting still remains at 30, these economies were only additional to what could be saved by the main reform, which remains untackled. Instances such as the above could readily be multiplied if space permitted. The total amount of the taxpayers' money now being annually

wasted in the Post Office is attained by a very large number of different operations, involving in all a huge turnover, each being performed less economically than industrial efficiency would exact.

Let us turn to the inability of the Department to cater for the needs of the public. A good instance of this can be found in the fact that the Post Office has failed to allow for the growth of London, and for the development of the dormitory habit around London and the great provincial cities which has taken place during recent years. Incredible as it may seem, the boundaries of the London postal area were fixed by Rowland Hill in 1857! The only important change that has been made since that date has been to reduce its size considerably in 1870 by excluding such places as Richmond, Ilford, Croydon, Barnet, etc. Meanwhile, instead of contracting, London has continued to expand, and there are loud complaints from Londoners who live in Richmond, Twickenham, and other important suburbs, that they are not given metropolitan postal facilities. For example, the postal service at Richmond is not so good as that of East Ham, although the inhabitants of Richmond do much the more important postal business. A letter can be posted in East Ham up to 11 p.m., but the last collection at Richmond is 9.15. After-dinner correspondence is encouraged in East Ham where nobody wants it, but is denied to Richmond where it is wanted very much. Similarly, the boundaries of the E.C. postal district are nearly, but not quite, coterminous with those of the City of London. It has been a long-felt grievance with a large number of important City firms that they lose status by having to put E. on their postal address instead of E.C., that their correspondence, which often runs into thousands of letters, is delayed by the inability of customers to realize that some City firms are not in the E.C. district, and that they do not get such good services as their rivals across the way. In response to agitations and deputations to the Postmaster-General in 1870, in 1894 and in 1929, the Post Office has on each occasion grudgingly extended the E.C. services by a street or two, but the anomaly still persists. No organization that was out to help British commerce would ignore the City of London as a unit.

Consider also the position of the more distant dormitory towns like Brighton or Margate. There has been a great development of the "daily-breading" habit in recent years.

Thousands of City workers leave such places as Brighton, Margate, Welwyn, Beaconsfield, Dorking, Chelmsford, Windsor, Maidstone, Dartford, etc., at 8 every morning for London, but in none of these places is the first delivery completed before 8.30, with the result that many of them do not get their morning letters till they reach home in the evening. That is a quite unnecessary inconvenience. By enlarging certain offices, and by employing more men at earlier hours, the Post Office could give these people the service they require at a fraction of the cost of what has been wasted in slow sorting and in other directions. But there is no likelihood of the Department, as at present constituted, meeting this change in the habits of the public until it is forced to. A number of important areas are denied the first-class service which they need, and a number of unemployed are deprived of the opportunity of giving it. In other words, postal business is being throttled.

All this time, let it be remembered, the Post Office is making a huge profit out of its postal monopoly. This monopoly is, in effect, being used as a tax-collecting machine, and it is a bad form of taxation, because it squeezes the life-blood out of an industry whose development is necessary to the commercial efficiency of the country.

THE CAUSE OF THE FAILURE

Let us proceed, then, to examine the cause of the failure. The cause is that the Post Office still retains, roughly speaking, the organization it assumed about the year 1855. It was then a Government Department constituted much like any other Government Department and so it remains. But in those days not only was the modern organization of big business unknown, but the Post Office itself was insignificant compared to its present size. Postal business was about one-seventh of that now transacted; the Savings Bank, the parcel post, the telegraph and the telephone did not exist. The Post Office is now a huge industry with a capital investment of £140,000,000 and employing a staff of 230,000. It has grown through the swelling needs of the commercial expansion of Britain enlarging the importance of the monopoly. The ordinary organization of a Government Department is quite unsuited to a proposition of this sort.

The Department is manned exclusively by Civil Servants and presided over by a politician. The British Civil Service

in its proper sphere, i.e., that of political administration, is the finest in the world. But the machinery for recruiting Civil Servants is not designed to recruit men of commercial ability and training. Most of the higher ranks in the Post Office have gained admission by academic ability to pass a very difficult examination as soon as they had finished their education. Some of them are brilliant men, but none have ever had any commercial training in the ordinary sense of the term. Others have worked their way up from being messenger boys or telegraphists, and these men, some of them also very able, represent the most practical element in the office. But they have never had any experience outside the department in which they have grown up, and by the time they reach positions of authority they are generally well advanced in years and their age of retirement is near. Not a single permanent official in the Department has ever been through the hard school of having to make both ends meet to keep a business solvent. It is not their fault that the majority of them do not instinctively know how to push a business, how to get things done in the quickest and cheapest manner, how to anticipate and to cater for the needs of the public, or how to deal with a large industrial staff. And these men are presided over by a politician, who may or may not be a trained business man himself, but who always comes to the Department as an amateur and is always a bird of passage. It is not fair to lay the blame for the failure of the Department on the permanent officials. They have to carry out the policy of the Postmaster-General, and no Postmaster-General can make his decisions without taking into consideration a number of factors quite unrelated to business efficiency. Politics must be ever present to his mind. The repercussion of any decision in the House of Commons, in the constituencies, in the Press, must always influence his attitude, besides larger considerations of national finance, imperial defence, or party policy. As ministries change so does the policy of the Postmaster-General change. Since 1914 there have been thirteen Postmasters-General. The Civil Servants have no responsibility for the fluctuations in policy that have resulted.

It must be added that the Post Office is not even master in its own house. Its sites are purchased and its buildings erected by the Office of Works. Its printing is done by the Stationery Office. Over neither Department has it any control, although it has to foot the bill. And in all matters of finance it

is under the direct orders of the Treasury. Technically, the Postmaster-General is little more than the agent of the Treasury. Treasury authority must be sought for all expenditure not covered by previous Treasury rulings, and this supervision extends to the smallest details. The system is designed to prevent extravagance, and possibly works well in ordinary Departments, but in a commercial business such tutelage severely cramps the initiative of the Post Office, and, as shown above, does not in fact secure economy.

Furthermore, the Exchequer appropriates any Post Office surplus every year, and thereby prevents anything in the nature of the accumulation of a reserve to be used in the expansion of the business.

What private business could be efficient under such conditions? Yet every Postmaster-General has to accept this situation. He comes as an amateur to a Department working in full swing. He handles problems that have arisen as the result of the decisions of his predecessors. Many of his decisions will not bear fruit until he has left office. He can only "carry on." By the time he has made himself familiar with the intricacies of the great business, or has been able to get to know his principal subordinates and the best men coming on behind them, he is far through with his own tenure of power.

In these circumstances it is not strange that the Department has never been organized as a business and is not run as a business. It is run as a Government Department, and not well run at that. It has undoubtedly suffered from the fact that it is regarded as one of the inferior departments, and that the cream of the Civil Service and the politicians go elsewhere.

The actual administration of the business is conducted by 21 surveyors, among whom the country is divided, with special organizations in London and Scotland; but these men have little independent authority, and everything of any importance has to be referred to the Secretary's Office. The Secretary's Office is divided into seven watertight compartments (Mails, Inland Telegraphs, Overseas Telegraphs, Telephones, Establishment, Staff, Buildings-and-Supplies), and from them agenda trickles through the Director of Postal Services, or the Director of Telegraphs and Telephones, and the Second Secretary, to the Secretary. Everything issues in the bottleneck of the Secretary. In other words, the General Post Office is organized much on the same principles as is the Home Office, but the

machine is too big to be well controlled in this way. The arrears of work are chronic. It often takes weeks to get an opinion or action from the Department on perfectly straightforward questions.

Furthermore, there is not nearly enough team work. Officials sit in their rooms and write minutes to each other, and so do not sufficiently acquire the habit of visualizing problems as a whole. Nothing in the nature of a Board of Directors exists in the Post Office. There are impromptu conversations, informal conferences, and *ad hoc* committees, but these do not acquire the homogeneity, the sense of responsibility or the continuity of policy that a Board should attain. It is not the custom that the Postmaster-General or the Assistant Postmaster-General should ever attend a conference. The Secretary attends very few. All important decisions are by minute. Even the Surveyors, on whom all contact with the public lies, are only called into conference once a year.

The officials do not know what each other are doing. In the Board of Trade there is a weekly conference of Heads of Departments, over which the President presides, and a weekly summary of the doings of every branch is circulated. In the Post Office, although it is much bigger, not only is there no such conference, but the summary is only circulated once every four months. Needless to say, by the time it arrives it is out of date. The men working in the Department have no means of knowing what is going on in other Branches, except by gossip and what they read in the Press. It is not surprising that they become absorbed in their own job, that they fail to look at problems as a whole, and that they take no interest in what is being done in other countries.

A word must be said about salaries. The Post Office is tied down to the Civil Service standard of salaries, and the Civil Service does not pay the market price for commercial brains. For instance, the Hardman Lever Committee recommended that "a first-class engineer with administrative experience be brought into the service." But the Post Office has been quite unable to find one at the salary sanctioned by the Treasury—£1,200. There is no more expensive economy than underpaying your principal men.

To sum up:—

A great business is being run by amateurs in business. The business is organized, not as a business, but as a

Government Department. There is a lack of collaboration, touch with the public, and of professional knowledge. The result is that many millions of the taxpayers' money have been and are being wasted ; that the business is stagnant where it ought to be developing ; that the whole commercial efficiency of the country is thereby impaired ; and that the staff suffers, as it does in all businesses that are mismanaged.

This, surely, is a matter that calls for reform. The time has passed when the Post Office can be properly regarded as a mere side-show of the machinery of government, and it should be classified among the great industries of the country to whom the tests of rationalization must be applied as to any other.

Looked at from this point of view, there is no valid reason why it should be presided over by a Minister of the Crown who changes with every government, why it should be manned by Civil Servants who are not trained business men, or why it should be under the continuous supervision of the Treasury, which has no expert knowledge of the technicalities of the industry. I believe that efficiency would be more likely to be obtained if the Service were divorced from political control and Civil Service standards altogether, and were organized simply as an industry with such conditions as are necessitated by State ownership.

To-day the management of a great business is recognized as a high art calling for expert skill and experience. Justice to the staff, as well as commercial interests of the country, demands scientific management undisturbed by extraneous factors such as the vicissitudes of politics. If we are calling on other great industries like coal or iron and steel to rationalize themselves, to adopt modern methods of organization, and to cast away impediments, what justification have we got for maintaining in the Post Office an organization which dates from the time of Rowland Hill but is now hopelessly obsolete ? An organization which is throttling our telegraph and telephone services, impeding our mails, and denying, through its inefficiency, employment to thousands of men ?

THE REMEDY

The late Postmaster-General invited me to produce detailed proposals for the reform of the Post Office. Once the need of reform has been admitted, I agree that the next move is to determine the direction upon which reform should

proceed. But as a first step the public and the Government must make up their minds as to exactly what they want. If what is wanted is the maximum of efficiency in all Post Office services, I would reply that that is most likely to be found in a Public Utility Company holding a monopoly on "gas company terms." There is no reason why the State should not be a large shareholder in any such company as it is of the Anglo-Persian Oil Company and of the Suez Canal. It might even be the sole shareholder at the commencement, but the new issues of capital that would be required for adequate telephone development—twenty or thirty millions a year for several years—would soon give the outside public a large share in the business. The American Telephone and Telegraph Company in the two years of slump, 1930 and 1931, has been engaged on a programme of development totalling over £200,000,000. I believe that from the point of view of the maximum of efficiency the ideal would be to endeavour to secure the services of one of our leading organizers of great business and hand the whole monopoly over to a Chartered Company under his chairmanship. The Company would take over the existing business with all its liabilities and assets at a valuation, and fully paid up shares would be issued to the State to correspond with the valuation figure. All further capital required would be raised by public issue. The Company would be subject to "gas company terms" by which its dividends beyond a certain minimum would depend on reduction of charges, while its charges could not be raised or its services reduced without special permission. It would be quite possible to create something in the nature of a "Consumers' Council," composed of, say, 50 Members of Parliament, or representatives of local authorities, who would exercise the function, at present so ineffectively performed by the House of Commons, of ventilating local and other grievances in regard to services. What hampers the House of Commons at present in such work is that the prestige of the Government of the day is always at stake when any attack is made on the P.M.G. The supporters of the Government are unwilling to press their criticisms beyond mild murmurings, while the criticisms of the opposition are discounted for Party reasons. The requisite Government majority is always forthcoming to carry the vote. A Consumers' Council, whose consent was necessary before any service could be reduced, would be a much more effective

critic, and, as its members gradually became conversant with the governing problems of the administration, would also tend to be a more intelligent critic.

The present staff of the Post Office would have to be taken over on terms not less favourable than those they at present enjoy. The State is under a contract to them which cannot be repudiated. I am convinced that no efficient member of the staff would have anything to regret in such a transfer. As has been pointed out, the staff suffer more than any other section of the community from the present state of affairs. An efficiently managed and expanding business would bring new hope and prospects to the subordinate staff, and if it were made worth their while, as justice demands that it should, that good work and good suggestions should be adequately rewarded, they would have less incentive to the "ca' canny" tactics we noticed in the case of sorting.

Finally, it may be noted that there is nothing inconsistent with the idea of a Chartered Company in the continuance of all the old landmarks. The Chairman of the Company could be called Postmaster-General, postmen would continue to wear the same uniform, pillar-boxes would retain the Royal Cypher, etc. The work would continue to be carried out on behalf of the State and with the authority of the State behind it; only the administration would be differently organized. Nor would the prerogative of the Home Secretary to open letters in the post be interfered with. The Postmaster-General has nothing to do with that at present. I believe, therefore, that such a scheme would be feasible and that under it you would be likely to get the maximum of efficiency possible. There are those, however, who hold that while there are good grounds for placing the Telephone and Telegraph Services under commercial management, there are no precedents in any country for so treating the Postal and Savings Bank Services, or the functions performed by the Post Office in the payment of pensions and the issuing of licences, etc. To these I would reply that there is no insurmountable difficulty in separating the Telephone and Telegraph Services from the rest of the Post Office, but that there are serious objections to that course. In the first place it would entail considerable additional expense. The Telephone and Telegraph Services are conducted in the same buildings and by the same people as other Post Office Services in 20,000 post offices throughout the country. It

might be possible to arrange that the village grocer should make one contract for his postal business and another for his telegraph business, though it would not be easy to prevent friction arising. But as regards the full-time staff in the large offices there is a whole grade numbering several thousand men known as "Sorting Clerks and Telegraphists." The reason why these two quite different functions are united in the same individuals is that the pressure of telegraph business is greatest in the morning, while the pressure of postal business is greatest in the afternoon and evening. By requiring whole-time employees to be available for performing either service a very important economy is effected. It would not be possible to separate the bulk of these men into whole-time sorters or whole-time telegraphists without incurring large additional annual expenditure or depriving either service of the necessary reserves of force for dealing with a rush hour. Furthermore, if a case has been made out for placing the Telephones and Telegraphs under commercial management it surely follows that the same applies to the Postal Services. The one is just as much a business as the other. What I saw of the inside of the Mails Branch convinced me that commercial management would lead to very important improvements. The fact that our Postal Services are probably better than those of any other country is due to three things. First, the superiority of our railway system over that of other countries. Secondly, the fact that the size of this island enables a letter to be carried from any place within it to any other in a single night; and thirdly, to the fact that, unlike the Telegraphs and Telephones, all foreign Postal Services are managed by Government Departments who suffer from the same failings as our own. For instance, the American Post Office, which is a Government Department, is much less efficient than ours, and instead of making an annual profit makes a heavy annual loss. No direct comparison with private enterprise is therefore possible in the case of Postal Services, but, as Mr. Ford has pointed out, it is a great mistake to assume that there is no room for improvement in departments where you lead your rivals.

For these reasons I believe the best results would be obtained by preserving the unity of the Post Office and transferring it to a purely commercial management, but if this were regarded as "not practical politics" there would still be great

gains to be achieved by conferring commercial management on the Telegraphs and Telephones. In any case, I would urge that the Postal Services should be divorced from the Civil Service and party politics, and if a Chartered Company be regarded as unsuitable in their case, they should be placed under a statutory body analogous to the Electricity Commissioners, the Port of London Authority, or the newly proposed London Traffic Board. Though I doubt whether such authorities can be expected to display the same alertness as a Board of Directors responsible to shareholders, I think that there can be no doubt that they are more suitably constituted for conducting public utility services than is an ordinary Government Department.

Therefore, let the Government decide the degree to which it wishes the Post Office to be reformed. Having done that, let it follow the example of Mr. Balfour in 1903, when he appointed the War Office Reconstitution Committee, better known as "The Esher Committee" for the reform of the War Office.

The Esher Committee consisted of Lord Esher, Lord Fisher and Lord Sydenham. It was appointed in November, 1903, with instructions to reform the organization of the Department and it finished its work in three months. The value of the reforms it effected has long since been generally recognized, and I suggest that what we now want is another Esher Committee on the Post Office composed of the best business brains that can be secured, and that when it reports the necessary legislation should be taken in hand forthwith.

Finance and Industry

(12) Treasury Bills and the Floating Debt (b).

IN previous days comparatively few Treasury bills were required, £14,000,000 being a typical figure, and their effect upon the country's financial system was relatively unimportant. During the war, however, when it was impossible to meet expenditure out of revenue, Treasury bills were issued consistently in large quantities until by the end of 1919 the amount outstanding was no less than £1,106,000,000. Since then part of the debt raised in the form of Treasury bills has been funded into long-term debt, such as the various post-war Conversion Loans, with the result that the amount outstanding now fluctuates approximately between £600,000,000

and £700,000,000, according to the season of the year, as explained in the previous article. It will be appreciated that even these last figures are many times greater than before the war, which means that Treasury bills to-day form an important proportion of all the bills present in London. This proportion has lately been increased by the trade depression and the fall in prices which have diminished the number and total value of commercial bills in existence. Should the suspension of the gold standard in Great Britain bring about a rise in prices and an expansion of trade, then Treasury bills will once more become of less importance.

Against this, there is undoubtedly a bigger need for some such medium of investment as Treasury bills than there was before the war. Generally speaking, less trade, especially internal trade, is financed by bills of exchange than in pre-war days, and the Treasury bill helps to fill the void thus created. Again, since 1914, the gold in circulation has been replaced by notes—originally currency notes and now Bank of England £1 notes. These notes are issued partly against gold, but normally £260,000,000 of them—and to-day £275,000,000—are issued against securities, and it is an open secret that a large part of the fiduciary backing to the note issue consists of Treasury bills. The growth in British commercial banks' assets as compared with 1914, in itself a consequence of the war, also means that more Treasury bills are held by the banks, especially in these days when the trade depression is reducing the amount of their loans to customers.

Another change due to the war, was the adoption of the "gold exchange standard" by many foreign countries. Under this system, a central bank of one country can count as its legal reserve against its deposits and notes not only gold, but also claims upon some other country, whose central bank ranks only gold as legal reserve and which engages to pay gold on demand. Many foreign central banks hold British Treasury bills as part of their legal reserve. The foundation of the Bank for International Settlements has created a new competitor for Treasury bills. The suspension of the gold standard in Great Britain, however, inflicted some loss on foreign central banks who, in pursuance of this system, held part of their reserve in sterling. Consequently, there is to-day a general disposition to abandon the gold exchange standard, and this will tend to diminish the demand for Treasury bills.

Finally, there is the normal demand for Treasury bills from banks, insurance companies, bill-brokers, accepting houses and other financial institutions that find it necessary to keep a certain proportion of their resources in self-liquidating securities of the highest class. To these must be added a number of large commercial and industrial undertakings which as a consequence of the trade depression have a certain amount of idle money thrown back upon their hands. Should trade revive, this new and abnormal demand will at once come to an end.

From the point of view of the banks and money market, and, indeed, of the country as a whole, the vital question is whether the quantity of Treasury bills offered to the various interests (excluding the Bank of England, which is on a different plane) that make up the City of London, is greater or less than the quantity it is most convenient for them to take up. It should be made clear at once that it is unthinkable that the City should fail to take up each week's quota of bills, for that would imply that British national credit had sunk so low that the City was refusing to supply the Government's needs. What happens in practice is that if a relatively large number of bills are offered, discount rates rise, the supply of money is depleted, and less credit is available for other applicants. Conversely, a shortage of bills, in the sense defined above, means low discount rates and a plethora of idle money.

The balance between the supply of and demand for bills depends upon a number of factors, some of which are incalculable, while others come outside the scope of the present article. It will be realized that almost every day old Treasury bills are maturing and new bills are issued and have to be paid for, and that the supply of bills varies with each successive difference, plus or minus, between issues and maturities. Broadly speaking, the number of bills in existence depends upon the size of the floating debt and also upon the size of its two remaining elements, namely, Ways and Means Advances from the Bank and from Public Departments.

Government borrowings from the Bank of England can be disposed of very shortly. When the Government borrows from the Bank and pays out the proceeds to its creditors, who in their turn pay the money into their banking accounts, there is an increase in "Government Securities" held by the Bank balanced by an increase in "Bankers' Deposits" at the Bank,

which are the basis of the nation's credit supplies. This is a virtual inflation of credit, as was proved very clearly during the war, when the Government borrowed heavily from the Bank as a matter of course. So objectionable is this practice, that to-day the Government only borrows from the Bank small amounts over a fortnight or so on special occasions, such as for a big dividend payment upon Government stock. Kept within these limits, the practice is justifiable, especially as the debt to the Bank is always quickly repaid.

Advances from Public Departments take two main forms. To begin with, certain Government offices operate on their own account, an example being the Public Trustee. These often have sums of money lying idle, which they lend to the Treasury. Next, other offices of a trading character, such as the Post Office, are continually receiving cash independently of the Treasury, but they only account to the Treasury for their receipts and expenses at definite intervals. In actual fact, however, they hand over to the Treasury all their spare cash, as and when it comes in—that is, in advance of the date on which they are due to account for it. Such advance transfers of cash to the Treasury rank as an "Advance from a Public Department."

This practice is of great value to the financial life of the country. Were all this money retained in idleness by its original recipients, it would be temporarily withdrawn from the economic system of the country and would lie immobilized in Public Deposits at the Bank of England. As a counterpart to its immobilization, Treasury bills would have to be issued unnecessarily, thereby diverting money from financing the country's business. In France to-day, it is common for Government money to be thus immobilized, and that is one reason why, in 1929 and 1930, Paris frequently had to draw upon her London balances in order to provide herself with ready money.

In short, British Government finance and the floating debt are so managed by the Treasury and the Bank of England as to set free every available penny so far as such freedom is desirable in the national interests.

The size of the floating debt largely depends upon Government policy. Were the budget to fail to balance, the first result would be an increase in the floating debt and probably

in the number of Treasury bills on offer. When the Government issues a new long-term loan for cash, the subscriptions are used to reduce the floating debt and in particular to redeem Treasury bills. Conversely, the redemption of a maturing loan may, unless a fresh loan is issued to meet it, require an expansion of the Treasury bill issue. In determining this aspect of its financial policy, the Government always has to watch the size of the Treasury bill issue in relation to the market's capacity to absorb it. In time a rising Treasury bill rate may even drive up Bank rate, and this was one cause of the Bank rate increase of September, 1929. Conversely, Treasury bill retirements may drag down all discount rates, including Bank rate. This actually happened in the spring of 1930.

The seasonal fluctuation in the Treasury bill issue, which is most marked in the last three months of the financial year, was briefly mentioned in the previous article. At that time revenue comes in rapidly, and each week more Treasury bills are redeemed than are issued, so that the number outstanding steadily contracts. This net redemption of Treasury bills should in theory release money, but as the funds used for the net redemption of Treasury bills at that time come in the first place out of the pockets of the tax-payer, no money is released on balance; in fact money always tends to become scarce at that time of year. One cause of this is that these operations entail continual transfers into and out of the Exchequer of large sums of money, which consequently become temporarily immobilized. Another reason is that many of the Treasury bills redeemed are held "outside" the banking system of the country, that is, either by the Bank of England or by some foreign bank or some public authority whose account is at the Bank of England. Thus the money paid over by the Treasury in order to redeem such bills never returns to the banks from which it had first been extracted in the form of taxes, and so there is on balance a loss of funds. Finally, in these depressed days, many people have to borrow in order to pay their taxes and this creates a further scarcity of funds.

Over and above fluctuations due to Government policy and to seasonal causes, there are day-to-day fluctuations in the supply of Treasury bills every week. Monday may fall exactly three months after a Sunday or Bank holiday, and so there will be no maturities that day. As there will be new bills issued and paid for, there will be a temporary increase in the supply

of bills and a temporary depletion of market resources. Tuesday's bills may be unpopular, because their date of maturity is one which does not suit the majority of applicants. Hence redemptions will exceed issues, and the supply will contract, and market resources be replenished. Wednesday's maturities may mostly be held by someone "outside" the market, and so the market has to pay for its new bills without receiving any benefit from the maturing bills. Once more money will be less plentiful. And so these fluctuations go on from day to day and from week to week.

This completes the survey of conditions governing the supply of Treasury bills. Demand concerns such diverse factors as money market operations, banking practice and the policy of the Bank of England, and these must be deferred until subsequent articles. The effect upon the credit system of Treasury bill issues and maturities will also be considered from a slightly different angle when the time comes to explain the lessons that can be learned each week from the Bank of England's return. Meanwhile, it should be realized that Treasury bills to-day play an important part in our financial machine and are an important weapon in the hands of those responsible for its control.

Notes of the Month

The Money Market.—The market has been operating during the last few weeks on the basis of a 6 per cent Bank rate, enforced largely to meet the serious nature of the international situation. In early October, money was fairly easy, new money being at one time obtainable as cheaply as $2\frac{1}{2}$ per cent. Later in the month it was not quite so plentiful, but even so the rate rarely rose above 4 per cent. The discount market was initially very inactive, a fact which largely explains the lack of demand for money. During the latter half of October, however, a keen demand for Treasury bills sprang up, due both to their attractive yield of $5\frac{1}{2}$ per cent, and to the gradual revival of confidence as it became clear that the National Government would be returned to power. Just after the election this demand reached such a pitch as to drive the discount rate on "hot" Treasury bills down almost to 5 per cent. Three months' bank bills were quoted at wide rates ranging from $5\frac{3}{8}$ to $5\frac{7}{8}$ per cent, as in these unsettled times the market felt obliged to discriminate according to the character of the bills on offer.

The Foreign Exchanges.—Since the suspension of the gold standard, sterling has naturally been subject to wide fluctuations, but latterly the pound has settled down at a discount of approximately 20 per cent. Immediately prior to the election there were indications of a return of funds to Great Britain, and also of some speculative buying of sterling abroad. The failure of sterling to improve when the result of the election was known is partially due to sales of pounds by successful speculators, though another contributory cause lay in the fact that imports of foreign goods are being accelerated in anticipation of a tariff, and payment for these necessitates sales of sterling. The depreciation of the pound has masked other movements between foreign currencies, but it is noticeable that the dollar has gone to a discount in many leading European centres, and that very heavy exports of gold from the United States have taken place. This is due to large withdrawals from funds from New York by Continental banks anxious to strengthen their position. Moreover, the depreciation of sterling and the loss consequently inflicted upon foreign central banks in respect of their sterling holdings, which formed part of their reserve, has driven several countries to abandon the gold exchange standard (whereby "gold exchange" as well as gold ranked as legal reserve against their note issues) and to turn their dollar balances, which were part of these gold exchange holdings, into gold. Elsewhere the crisis has led to the establishment of severe restrictions upon foreign exchange dealings, both in Central Europe and South America.

The Stock Exchange.—After their initial heavy fall, due to the suspension of the gold standard and the imposition of a 6 per cent Bank rate, British Government securities have steadily recovered until they have now recovered most of the ground so lost. The market in foreign bonds has been very weak and uncertain, owing to the uncertain outlook abroad, and the partial defaults or suspension of interest or amortization payments announced in respect of several issues. Home railway stocks and industrial shares have steadily improved, as a result of the general belief that British industry was benefiting from the depreciation of sterling and would shortly obtain further benefits from tariffs. This improvement was such that when the result of the election was known, the Government's victory turned out to have been fully discounted, and profit-taking caused a slight reaction. As dealings for the accounts

remained suspended during the whole of October, it followed that there was no possibility of "bear" operations, and this may have helped to drive prices in some markets to an unduly high level. It must be emphasized that the Government's victory has not yet made any difference to the extremely dubious world outlook, and so great caution is still advisable.

Overseas Trade.—The September trade returns almost entirely reflect the fruits of operations prior to the suspension of the gold standard, and must be judged in that light. Their main interest is that they provide a datum line from which to measure the effect of the depreciation of the pound.

Description	Jan.-Sept., 1930	Jan.-Sept., 1931	Increase (+) or Decrease (-)
Total Imports	785.0	621.3	-163.7
Retained Imports	717.3	573.1	-144.2
Raw Material, Imports	195.6	127.6	- 68.3
Total Exports, British Goods	441.1	292.4	-148.7
Coal Exports	34.9	25.6	- 9.3
British Manufactured Goods, Exports...	343.4	221.1	-122.3
Re-Exports	67.7	48.2	- 19.5
Total Exports	508.8	340.6	-168.2
Visible Trade Balance	-276.2	-280.7	- 4.5

At the moment it looks as if the adverse balance may be increased as the result of the suspension of gold payments. Imports now cost more in sterling, and they will not at once be checked, as in addition to the existence of outstanding contracts, some additional importation of foreign goods is taking place in case a tariff is shortly imposed. On the other hand, there is usually a substantial time-lag between the placing and execution of orders, which means that the stimulus to our export trade given by the depreciation of the pound will not be revealed in the trade returns until the new orders are completed and delivery is made in several weeks' or months' time.

Home Reports

The Industrial Situation

The depreciation of the pound, with its stimulation to exports and its restrictive effect against imports, has imparted a certain degree of activity to British industry, and particularly to certain basic trades which have long been depressed. This is especially true of the textile trades, including cotton, wool and linen, and also of the lighter sections of the steel industry. So far, however, there has been little disposition to launch out into new capital expenditure, and this is retarding engineering and the heavier branches of the steel trade. For this the election was blamed, and now that it is over and there is the assurance of a stable Government, developments in this direction may quickly occur. The foreign outlook, however, remains very obscure and international trade is only being conducted under considerable difficulties, due both to exchange fluctuations and foreign restrictions upon exchange dealings. It remains to be seen how far this will react upon British trade.

Agriculture

England and Wales.—A good deal of corn was harvested in damp and soft condition owing to the bad weather during September, and the yield per acre of wheat and barley was consequently expected to be below average. Disease amongst potatoes has caused a forecast of a low average yield per acre, and the yields of root crops will be below average. Livestock generally did well and milk yields showed a seasonal tendency to fall.

Scotland.—Potato lifting is general, but varied accounts are being received as to the crop, which, on the whole, is considerably below average, while in certain districts disease is prevalent. Prices are good, ware running to over £6 per ton. In many instances this promises to be the most profitable crop of the season. Grain is meeting a fair demand, milling oats, in particular, showing a marked advance in price. At the leading livestock markets supplies of all kinds have been ample, with slightly lower prices.

Coal

Hull.—Prices are steady, largely owing to the quantities of coal available for export being curtailed through quota restrictions.

Newcastle-on-Tyne.—Best Blyth and Tyne prime screened coals have been in good demand with a firmer tone. Best Durhams are quiet, but nominally steady. Best bunkers remain active and rule steady, but other bunkers, and gas and coking coals have been in ample supply, and easy. There has been a moderate enquiry for coke, with firmer prices for prompt loading.

Sheffield.—There has been a slight improvement in export business and enquiries on shipment account are more numerous. The demand for household coal has fallen off considerably, due no doubt to the warmer weather. Industrial fuels remain steady with little important business.

Cardiff.—The exchange fluctuations and political events at home and abroad are rendering new business difficult in the South Wales coal market, causing most buyers to await more settled conditions. Most grades of large coal are steady, and sized coals are without change of note, but smalls continue abundant and are easily obtainable at the schedule prices. There is a better demand for coke, and some of the ovens have more business on hand than for some time past. The anthracite market is firm for large and broken coals, especially for the best classes.

Newport.—Enquiries have been more numerous but little new business has resulted. The advantage to exporters due to sterling depreciation has been restricted considerably by import restrictions in France, Belgium and other countries.

Swansea.—Conditions in the coal trade remain quiet. French importers are unable to take advantage of the exchange owing to the restrictions placed on coal imports by the French Government. In the anthracite market the best qualities of large are still in good demand, but inferior grades are offered freely. The same applies to the steam coal market.

East of Scotland.—In Fifeshire all classes of fuel are in demand and steams, trebles and doubles, have increased in price. The situation in the Lothians has also improved; navigation coal is moving off as produced while both as regards

steams and washed fuels the position is strong. Home demands are showing their usual seasonal increase.

Glasgow.—Scotland benefited to some extent by the depreciation of sterling, the effect of which was to stimulate the foreign demand. The improvement was not maintained, however, and the enquiry is now much quieter and business on a reduced scale as the result partly of the advance in collieries prices and partly the scarcity of some of the qualities which were chiefly in demand. Forward business is practically at a standstill, as foreigners refuse to pay prices tendered on the basis of collieries quotations, and exporters are determined not to sell speculatively at present when the outlook is very obscure.

Iron and Steel

Birmingham.—Considerable forward orders have been placed recently, though deliveries have not yet been called for. There are, however, signs of expansion and reports of furnaces coming in to blast again.

Sheffield.—There is a slight improvement in trade conditions in Sheffield, owing to the general rise of confidence. There has been an improvement in enquiries for open-hearth steel and large tonnages of wire rods have been booked, presumably in anticipation of a tariff on foreign rods which have figured largely in our import returns in the past.

Newport.—Local works have been getting more orders, and the exports, which already show some slight improvement, should increase further. Some works which suffered from the stoppage of road construction have found new business owing to the depreciation of sterling. Imports have been higher, as many large consumers expect a tariff shortly.

Glasgow.—Though there is a large enquiry, chiefly on export account, for some of the products of the iron and steel works in the West of Scotland, the improvement in business which it was expected would result from the devaluation of sterling has not only been very moderate but confined to a few branches, among them the sheet trade, in which orders are rather more plentiful. The imminence of the election was, however, held partly responsible for the withholding of orders and there is now a prospect of an increase of business, especially with eastern markets. In the meantime the works are much

in need of orders and plants are producing a considerably lower tonnage than they are capable of turning out.

Engineering

Birmingham.—The motor trade is waiting results from the Show. The earlier reports indicate that very fair orders have been booked, but at the time of writing the Show is in progress and full reports are, in consequence, not to hand. There are more enquiries for heavy engineering, but little new business has yet resulted. In small machine tools there have been a number of enquiries due to the exchange position, and some additional business has resulted.

Coventry.—In the trade some improvement has taken place during the last week or two, and a distinctly better feeling prevails. Motor cycle manufacturers are now preparing for the annual Show next month. The trade continues very active.

Luton.—Notwithstanding the nearness of the annual Motor Show, trade last month, both in light lorries and cars, showed considerable expansion. The heavy lorry trade was, however, dull. There is very little demand in the hydraulic section owing to unsettled conditions. Business in the iron foundries has been very satisfactory but is now falling off.

Sheffield.—The general engineering section shows a slight improvement, chiefly due to the placing of Russian contract, but taken all round trade is very bad. The tool trade remains in an unsatisfactory condition. Apart from engineers' small tools and certain lines for the building trades, output has not been on such a low level for many years.

Glasgow.—The marine branch of engineering is suffering more than others from the general trade depression. Output is very restricted, as is to be expected in view of the collapse in the shipbuilding industry, and no solid improvement is likely until world trade recovers.

Metal and Hardware Trades

Birmingham.—Business is improving both in immediate deliveries and forward orders, and better prices are being obtained. One or two large orders, which formerly went to the Continent, have been placed locally.

Sheffield.—Both home and export business continues to be extremely quiet, and no substantial improvement can be reported. Makers of electro-plated goods are greatly concerned at the increase in the cost of nickel silver, which is their chief raw material. The currency position has had the effect of checking imports and should help the manufacturers interested in export trade.

Cotton

Liverpool.—Following upon the abandonment of the gold standard an extraordinarily heavy demand for the raw material of all descriptions was witnessed. As a result prices experienced a rapid advance, some of which was subsequently lost upon the exchange rates attaining relative stability. Nevertheless, at the time of writing, it may be said that the outlook for the market generally is brighter than for a very long period past. The reports from Manchester indicate considerably more activity, the demand from China being particularly encouraging, and the improvement has been reflected at this end by an unwonted, and, at times, a really substantial demand for both spot and forward delivery from spinners. A special feature of this demand has been a continuous enquiry for Upper Egyptians, Brazilian, Peruvian and East Indian. Local stocks are now becoming somewhat depleted, and in the case of American the imports for this season have been on a much smaller scale than at any previous period—this, notwithstanding the existence of huge stocks on the other side. There is, in fact, a large demand for low grade staple American cotton which it is not possible to satisfy owing to the stiffness of the basis demanded by American shippers making its import unprofitable under present conditions. The increased use of non-American growths has accordingly become more pronounced this season than ever before, the actual quantity delivered to Lancashire spinners during the period named being 202,000 bales of American against 265,000 of other growths. World prices of cotton show little change from those current before the 21st September, and the proposal of the U.S. Farm Board to lift off the market until July next several million bales has had scarcely any effect upon quotations, but it is hoped by the sponsors of the scheme that the existence of this large block of cotton will induce growers to make very substantial reductions in acreage next season.

Wool

Bradford.—Since the suspension of the gold standard there has been a great revival of business in this district. All sections of the trade are sharing in it and evidence of this is shown by a decline of over 6,000 of wholly unemployed or temporarily stopped in the town during the past four weeks. Distributors are now turning their attention to the dress goods section, not only because of the difficulty of getting their requirements satisfied from the Continent, but because of the lower value of Bradford goods.

Huddersfield.—Business in the woollen cloth industry has shown decided improvement during the last few weeks, and some of the mills have found it necessary to run their machinery overtime. There is not much improvement in the fine worsted section, and orders are still difficult to obtain. Manufacturers of fine and medium worsteds have agreed with their operatives for a cut in wages.

Hawick.—There is a better feeling in the Border tweed trade and more orders are being received, although many of the factories still remain on short time. The hosiery branch continues to show signs of revival. Both spinners and dyers are quiet. Conditions in the wool trade remain very unsettled; most of the mills are considerably overbought and prices are still in a state of great uncertainty.

Other Textiles

Dundee.—An improvement is reported in the jute trade, and production is increasing, a number of mills and factories having resumed full-time working. Orders for jute fabrics have been placed, and enquiry is active.

Dunfermline.—There is a decided improvement in the Fifeshire linen trade and prices have risen sharply, due to a general replenishment of stocks in the home trade, while export demands have also improved. The market for the raw material is still in a very precarious position, due partly to currency difficulties.

Clothing

Leeds.—There is a distinct improvement in the home market. This is considered to be chiefly in anticipation of a

rise in prices in the future. The overseas trade is not affected, and any advantage they may have on account of the depreciation of the £ is counteracted by tariffs.

Leicester.—There is a slight improvement in the fancy knitwear trade, and some factories are working on full production, particularly in the better qualities. Manufacturers of jerseys are experiencing a good demand but only on the low-priced goods.

Luton.—The autumn season ladies' hat trade has been generally good but has now slackened considerably. The outlook for the spring trade is very unsettled as no one knows what may happen fiscally.

Leather and Boots

Leicester.—Home trade during the past month has improved a little. Export trade is quiet, due to the difficulties of the international situation. There is no change in fashion.

Northampton.—Since the abandonment of the gold standard prices have risen appreciably, particularly in the case of foreign leather. All shoe manufacturers have bought heavily in anticipation of higher prices. Leather merchants have disposed of stocks which have accumulated for months at remunerative prices, but the matter of replacement in several instances gives serious concern. Supplies of foreign leather are still available but at enhanced prices, and factors in this country prefer to receive goods on consignment. In a few instances the foreigner has agreed to deal on a sterling basis. The present situation has given a stimulus to the boot and shoe trade. Shops are rapidly replacing their stocks, but it is reported that there is no marked increase in the sales of the retailers. Factories in the county are reported to be very busy—several working overtime. Keen enquiries are being received by some of the larger firms and in several cases good orders have been received from abroad.

Walsall.—The tanning industry is still very quiet and but for a satisfactory demand for certain sports goods the fancy leather trade is slack. The demand for rough leather is considered to be greater than at any period since the war.

Shipping

Hull.—There is little change and rates continue low, with an ample supply of tonnage.

Liverpool.—Due to a revival of activity in the grain-carrying trade a rather better tone has been existent in certain sections, notably in the Australian and the River Plate, and moderate improvements in rates have occurred. In outward coal chartering, however, notwithstanding a better demand, rates continued easy.

Newcastle-on-Tyne.—Although there was some improvement in freights for all directions at the beginning of the month, this has not been maintained, as the supply of tonnage exceeds merchants' requirements.

Cardiff.—Following the depreciation in sterling outward freights advanced in anticipation of an improvement in demand which, so far, has not taken place. Rates have since fallen to practically the original basis. However, a more optimistic view is certainly taken of the future.

Newport.—The demand for tonnage in the Plate has brought out a number of laid-up ships, but freight rates have barely advanced enough to cover the extra expenses abroad.

East of Scotland.—About twenty vessels are on loading turn at the Forth coaling ports. The docks at Leith have been quite busy of late with seasonal grain shipments and also a steady trade with the Continent, and freights have naturally been better in terms of sterling.

Glasgow.—Rates of freight for tonnage to load coal at Scottish ports show a considerable advance owing, to some extent, to the depreciation of sterling and partly to the disinclination of owners to press for employment for their boats. Orders are, however, not plentiful, and the general tendency is now easy though rates have not declined appreciably.

Foodstuffs

Liverpool.—An active trade has been done in wheat, both in the spot and futures sections. The exchange has been the dominant influence in this market since the departure from the gold standard, but activity has also been stimulated by the existence of profitable straddle operations afforded by the premium upon forward delivery over spot. Large shipments have arrived at the port, and local stocks have been accumulating with the result that they now reach over three million quarters against one million a year ago. This situation arises through the steady pressure of world exporters to reduce heavy stocks

and the continuance of Continental restrictions upon the import of wheat. There is little sign at present of any change in these conditions, and, subject to the absence of any important depreciation in sterling, adequate supplies of this foodstuff should be available at reasonable prices for some time to come. A large business was done in Plate maize, the heavy arrivals at the port being readily cleared by consumers. Current quotations show a nominal rise in sterling of about 8d. per cental, only part of which is due to currency depreciation. During the first part of the month the bacon market was firm with some advance in values, but prices are under those ruling immediately prior to September 21st. American bacon is in small supply and steady. A good demand for lard, coupled with exchange considerations, resulted in a substantial advance in price. The butter market remained very firm throughout, the consumptive demand being good. Cheese prices were lower than last year at this time; later, the adverse rate of exchange in Canada caused a rapid advance and stimulated demand, and the market closed firm. In the canned goods section, meats were a moderate demand and prices unchanged to slightly higher, but the demand for fruits was somewhat checked by an advance in prices.

Fishing

West of England.—In Mounts Bay the fishing for the past month has been above the average. Long line fishing has, on the whole, been good, some excellent catches being landed from boats fishing 40–80 miles off. Pilchard fishing showed improvement towards the end of the month, with curers taking the bulk of the fish at £1 per 1,000. The export of cured fish for the Italian markets has commenced. At Brixham landings for the first three weeks of September were small, but improved towards the end of the month.

Scotland.—The line fishing round the Coast continues to be quite successful and better reports are being received of the doings of the Scottish fishing fleet operating in English waters.

Other Industries

Carpet-making.—Since our last report the carpet trade of Kidderminster has greatly improved, principally owing to the suspension of the gold standard by this country. The Kidderminster manufacturers are now making qualities which, prior

to the change in the financial situation, were for the most part made in France. A new feature is the introduction of a tapestry carpet for use in motor cars previously made almost entirely by European manufacturers. Large contracts have been placed by the Kidderminster manufacturers for raw materials which must necessarily become dearer.

Chemicals.—There is no decided improvement, but enquiries are better.

China Clay.—There was a slight improvement in deliveries during August, as compared with the previous month. The chief falling off in exports continues to be at Fowey, the centre of the overseas trade.

Paper-making and Printing.—A better feeling is in evidence in the Edinburgh paper-making trade, particularly as regards export where the fall in the £ has not been without its effect, and some of the mills which have been on short time for years are now in full employment. Buying has also been stimulated by fears of a possible rise in the price of the raw material. There is still a good deal of unemployment in the printing branch, and even the London book trade has not been so good this season as in previous years.

Pottery.—There is a distinctly better feeling all round, and in the earthenware section many firms are working full time to cope with orders. A substantial drop in the pottery operatives out of work was shown in the last unemployment return, and this has followed a small decrease each week for the last two months.

Timber.—The trade in Hull during the past month was steady with a good demand for building timbers and floorings. The mills keep fairly busy and there is rather a better demand for whitewood for the case trade. The departure from the gold standard has caused prices to firm up slightly. The import looks like being smaller than last year. There are still considerable quantities unsold in Finland and Sweden but the shippers are holding for higher prices. In Wales pitwood imports have suffered from the difficulties which have arisen with the French exporters. Other timber imports in September have improved.

Dominion Reports

Australia

From the National Bank of Australasia Limited

While there is little indication of any improvement in the internal trade of Australia, her export trade has been considerably stimulated by the exchange movements subsequent to Great Britain's departure from the gold standard, which has resulted in higher internal prices and wider markets for primary products. Import figures for July and August show a 50 per cent decrease over the corresponding months of 1930, and exports for the period were well maintained. Seasonal conditions are favourable and large export surpluses are likely in most rural products, and since recent price movements are encouraging the outlook is hopeful. The large and well-grown wool clip is meeting with a stronger market and there is an abundant supply of butter and fat lambs for export. The tone of the Stock Exchange has considerably improved.

Canada

From the Imperial Bank of Canada

Business is no better, and the autumn expansion in trade has failed to materialize. The clothing trades are fairly active, but the basic industries are working well below capacity. The wheat situation continues to be unsatisfactory, and the purchasing power of agricultural districts is consequently very restricted. The depreciation of the sterling is having a deterrent effect upon export trade with Great Britain, as although Canada has, by forbidding the export of gold except under licence, virtually suspended the gold standard, the Canadian dollar still stands at a premium over sterling.

India

The Bombay cotton market improved sharply on the British suspension of the gold standard. Greater interest was shown by Lancashire, and there was an increased demand from China stimulated by the rise in the price of silver. Heavy purchases of Indian-made piece-goods were made by dealers during September, as it was feared that the Emergency Budget might impose an excise duty. When the Budget appeared at the end of the month, it did no more than increase the customs duties on foreign piece-goods; a further improvement in

demand is anticipated once dealers have disposed of their present stocks. Demand for Manchester goods was poor up to the end of the month. The Calcutta jute market was also revived by the British suspension of the gold standard, but demand was subsequently checked by the resulting advance in prices. Tea prices also advanced at the end of September. Rangoon reports that the expected Chinese demand for rice has materialized, and prices are now higher. Indian and Java markets are no better. The timber trade is dull. Hardware prices rose sharply on the depreciation of sterling, but dealers considered the outlook so obscure that they refused to commit themselves to purchases for forward shipment.

Irish Free State

Perfect weather conditions have assisted largely in the gathering of the harvest, which in practically every direction has shown a satisfactory yield. Prices, however, mostly remain low, though considerable hope of improvement is felt should England impose a tariff on imported foreign foodstuffs. Owing to the serious fall in the price of pigs there has been a substantial reduction in the number of sows kept for breeding.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited

Imports at Frs. 30,027 millions for the first eight months of the year show a falling off of nearly Frs. 5,000 millions compared with last year, while exports at Frs. 20,970 millions are down by more than Frs. 8,000 millions. The adverse balance is thus Frs. 9,057 millions this year against Frs. 5,682 millions for the corresponding period of 1930. On the Bourse the shares of some of the leading French Banks have recorded substantial falls in prices.

Bordeaux.—The vintage is taking place under ideal conditions, so that though the crop will be smaller than was expected the quality is better. The wine market is weak with prices seriously declining.

Le Havre.—Cotton prices are irregular with a downward tendency and have touched Frs. 171 per 50 kilos—the lowest recorded since the season 1844-5. The crop is estimated at 16,284,000 bales. Coffee prices are weak.

Lille.—Business in textiles and cotton remains practically dead. Flax, too, is depressingly low, with uncertainty as to the method that will be adopted by the Soviet Government for their next campaign.

Roubaix.—Prospects all round are extremely poor as the clothing and allied trades, which depend largely on the English market, have been seriously hit by the fall in the sterling exchange, and it appears impossible to reduce costs of production. Business in raw wool and tops has been brisk owing to replenishment of stock.

Marseilles.—Both in ground-nuts and copra there has been a fair amount of speculation consequent upon the fluctuation in sterling but the volume of real business is very small. Olive oil has been steady but good harvest prospects and lack of demand are expected to depress prices.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Conditions in the heavy industries are very difficult owing to export prices being quoted in sterling. Coal stocks are accumulating and the importation of foreign coal is now subject to licence. On the Stock Exchange both Government securities and industrial shares are weak.

Germany

The situation remains extremely difficult. Notwithstanding the conclusion of the standstill agreement, the drain of funds from Germany has continued, and gold and *devisen* losses by the Reichsbank reduced its reserve rates to 28.6 per cent on October 15th. Further home demands on the Reichsbank have also been made, which have added to the pressure. The steel industries have been affected by the depreciation of sterling which has upset the whole basis of Continental iron and steel prices. The coal industry is a little more active, as consumers are replenishing stocks. The increase in unemployment during September was not unduly large.

Holland

Horticulturists and dairy farmers have been particularly hit by Britain's departure from the gold standard since we are the biggest customers for her goods, though coming only third on the list of exporters to her. Unemployment, which at

200,000, represents only $2\frac{1}{2}$ per cent of the population, is expected to increase.

Norway

"A calamity of far-reaching significance affecting our industrial life to a degree" is the comment made by the President of the Norges Bank on Britain's departure from the gold standard. Labour conflicts continue to affect Norwegian trade to a large extent, though there was a slight improvement in both imports and exports during August. The aggregate drop for the eight months shows, however, a serious drop as compared with the same period for last year, exports being down by Kr. 188 millions at Kr. 471·8 millions, and imports by Kr. 139·8 millions at Kr. 545·9 millions.

Sweden

The Swedish departure from the gold standard has given some stimulus to export trade. Business on the wood goods market has been fairly lively, with fresh contracts to Holland, France, Belgium and England: those to England which are usually fixed in sterling having risen by 10s. to £1 per standard. The cellulose market continues dull.

Denmark

Despite Denmark's departure from the gold standard there has been little fluctuation in wholesale prices, the index figure for September at 109 being the same as that for the previous month. Butter rose from Kr. 212 per 100 kilos to Kr. 218 but fell back again to Kr. 204, and bacon which by the middle of September was at Kr. 78 per 100 kilos, gave way by the 25th to Kr. 68 but rose to Kr. 88 on the suspension of the gold standard in Denmark. Heavy butcherings, however, caused the price to recede to Kr. 76. The agricultural crisis continues severe and Kr. 30 millions have been voted by Parliament to be placed at the immediate disposal of farmers in need of support. Kr. 11 millions have also been voted as subsidies to the unemployed.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

In spite of an increased turnover in trade of Frs. 10·2 millions on the figures for the previous month, there is an increase in

the adverse balance of trade of Frs. 77·1 millions. The decrease in exports for the month is no less than Frs. 33·9 millions and touches practically every branch of the textile and metal industries. Much alarm is felt at Britain's departure from the gold standard as it is considered that Switzerland is faced with the practical loss of her best customer, and measures are already afoot to alleviate what is bound to be a distressful time for Swiss industries.

Spain

Coal mining, fruit growing and the Catalan cotton industry are all threatened with serious reduction of business owing to Britain's departure from the gold standard, and the Government has summoned a National Economic Conference of interests most affected to consider protective measures. Note circulation has decreased 455 million pesetas since the beginning of August, while silver in circulation has risen by 100 million pesetas.

Morocco

From the Bank of British West Africa Limited

The fall in the exchange value of sterling has naturally affected both the sale of Moroccan produce to England and imports from England to Morocco. Merchants are adopting a waiting attitude, but the demand for British imports is reported to be better. Local markets for all classes of imported goods offer interesting possibilities, and British merchants should study them carefully, remembering that there is an equal customs duty upon all imports, no preference being shown to any one country. Business, on the whole, has been dull, due partly to the completion of the current quota for exports of wheat from Morocco to France free of French import duties.

United States

The main financial event of the past month has been the formation of the National Credit Corporation with funds, subscribed by the banks, of \$500,000,000. The Corporation will extend cash loans to banks against collateral consisting of sound assets not eligible for rediscount at the Reserve Banks. This will both provide fresh support for banks in need of it, thereby restoring the confidence of depositors, and will save

banks from having to dispose of their bonds, which have been a major cause of the recent weakness of the bond market. Business is not making its normal seasonal progress. Steel mills are only working at 29 per cent of capacity, and September output at 1,547,602 tons was the lowest for ten years. Non-ferrous metals are very weak. The most recent cotton crop estimate is 16,284,000 bales, against last year's crop of 13,932,000 bales. Ginnings to October 1st were only 5,408,307 bales against 6,303,895 bales at the same date in 1930. This looks as if this year planters are holding back part of their cotton.

South America

From the Bank of London & South America Limited

Buenos Ayres.—Agricultural conditions are satisfactory in the main, though locusts are reported in parts of the provinces of Santa Fé and Cordoba. Exchange restrictions and increased tariffs are depressing the import trade, which is dull and uncertain.

Montevideo.—The wool season is just beginning and exporters appear to be interested at prices slightly in advance of those prevailing at the close of last season. Cattle prices have also improved.

Bogota.—Decrees prohibiting or restricting imports are having an unsettling effect on commerce. Central Boards have been set up in all municipalities to regulate prices and prevent speculation and profiteering. Agricultural prospects have improved with the good rainfalls and with the protection afforded by the new import tariffs.

Japan

Japanese trade with India, Europe, Africa and Australia has been carried on in sterling so that Britain's suspension of the gold standard has greatly affected the trade outlook. Many contracts have already been cancelled and the future appears obscure. On top of this the Sino-Japanese trouble in Manchuria has caused a cessation of the export trade to the whole of China. These troubles have caused a severe slump in all stocks and shares, and the Stock Exchanges throughout the country were closed for a whole week after the British suspension of gold payments. Heavy gold shipments have been made to the United States, but it is officially stated that Japan has no intention of going off the gold standard.

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Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts & Advances
	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
1930.							
Oct. 22 ...	168·9	354·5	65·6	55·8	55·5	41·6	5·0
1931.							
Sept. 30 ...	134·8	357·2	53·9	37·1	62·6	69·0	14·8
Oct. 7 ...	135·2	359·3	52·2	36·9	78·9	64·1	16·9
Oct. 14 ...	135·4	356·7	55·0	40·5	70·1	57·6	14·1
Oct. 21 ...	135·7	355·2	56·8	42·9	60·5	53·8	10·4
Oct. 28 ...	135·7	356·0	55·9	41·9	63·5	50·5	10·5

2. TEN CLEARING BANKS

Date.	De- posits.	Accept- ances.	Cash.*	Call Money.	Bills.	Invest- ments.	Ad- vances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1930.							
September ...	1,800·7	117·8	233·0	136·2	285·7	270·1	941·9
1931.							
April ...	1,735·7	115·3	224·3	117·0	211·0	308·5	940·3
May ...	1,737·8	114·2	223·0	131·5	224·0	290·0	934·6
June ...	1,781·9	115·9	236·4	133·2	265·7	288·4	923·0
July ...	1,787·7	113·0	229·2	130·4	281·0	299·5	913·0
August ...	1,745·0	112·6	222·5	113·2	263·6	301·7	908·5
September ...	1,711·8	118·4	217·6	106·9	236·8	304·0	910·8

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.		
			1929.	1930.	1931.
			%	%	%
1902	58·2	January	46·8	45·1	45·9
1914	49·9	February	45·9	44·2	45·1
1919	60·7	March	45·2	44·5	45·3
1920	56·7	April	44·9	45·1	45·0
1921	50·7	May	44·1	44·0	44·8
1924	51·0	June	44·5	44·4	45·4
1925	49·6	July	45·4	44·7	45·7
1926	48·6	August	45·3	44·4	45·7
1927	47·4	September	45·3	44·7	45·0
1928	46·4	October	45·6	44·8	
1929	45·2	November	44·7	44·8	
1930	44·7	December	45·3	46·0	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	LONDON.			NEW YORK.		
	Bank Rate.	3 Months' discount Rate.	Day-to-day Loans.	Re-discount Rate.	90 Days' eligible Bank acceptances.	Call Money.
1930.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Oct. 22 ...	3	2 $\frac{1}{8}$	1 $\frac{1}{2}$ —2	2 $\frac{1}{2}$	2	2
1931.						
Sept. 30 ...	6	5 $\frac{1}{2}$ — $\frac{7}{8}$	5—5 $\frac{1}{2}$	1 $\frac{1}{2}$	1 $\frac{1}{2}$	1 $\frac{1}{2}$
Oct. 7 ...	6	5 $\frac{1}{2}$ — $\frac{7}{8}$	3 $\frac{1}{2}$ —5	1 $\frac{1}{2}$	1 $\frac{1}{2}$	1 $\frac{1}{2}$
Oct. 14 ...	6	5 $\frac{1}{2}$ — $\frac{7}{8}$	4—5	2 $\frac{1}{2}$	2 $\frac{1}{2}$	2
Oct. 21 ...	6	5 $\frac{1}{2}$ — $\frac{7}{8}$	4 $\frac{1}{2}$ —5	3 $\frac{1}{2}$	3 $\frac{1}{2}$	2 $\frac{1}{2}$
Oct. 28 ...	6	5 $\frac{1}{2}$ — $\frac{7}{8}$	4 $\frac{1}{2}$ —5	3 $\frac{1}{2}$	3 $\frac{1}{2}$	2 $\frac{1}{2}$

2. FOREIGN EXCHANGES

London on	Par.	1930.	1931.				
		Oct. 22.	Sept. 30.	Oct. 7.	Oct. 14.	Oct. 21.	Oct. 28.
New York ...	\$4.866	4.85 $\frac{1}{2}$	3.92	3.88	3.88	3.95 $\frac{1}{2}$	3.90 $\frac{1}{2}$
Montreal ...	\$4.866	4.85 $\frac{1}{2}$	4.57 $\frac{1}{2}$	4.36 $\frac{1}{2}$	4.36 $\frac{1}{2}$	4.40 $\frac{1}{2}$	4.35
Paris ...	Fr. 124.21	123.83	99 $\frac{1}{2}$	98 $\frac{1}{2}$	98 $\frac{1}{2}$	100 $\frac{1}{2}$	99 $\frac{1}{2}$
Berlin ...	Mk. 20.43	20.40 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	17	16 $\frac{1}{2}$
Amsterdam ...	Fl. 12.11	12.06 $\frac{1}{2}$	9 $\frac{1}{2}$	9.60	9 $\frac{1}{2}$	9 $\frac{1}{2}$	9 $\frac{1}{2}$
Brussels ...	Bel. 35	34.85 $\frac{1}{2}$	28	27 $\frac{1}{2}$	27 $\frac{1}{2}$	28 $\frac{1}{2}$	28
Milan ...	Li. 92.46	92.82 $\frac{1}{2}$	76 $\frac{1}{2}$	75 $\frac{1}{2}$	74 $\frac{1}{2}$	75 $\frac{1}{2}$	75 $\frac{1}{2}$
Berne ...	Fr. 25.22 $\frac{1}{2}$	25.02 $\frac{1}{2}$	20	19 $\frac{1}{2}$	19 $\frac{1}{2}$	20 $\frac{1}{2}$	19 $\frac{1}{2}$
Stockholm ...	Kr. 18.16	18.10	17 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	17 $\frac{1}{2}$
Madrid ...	Ptas. 25.22 $\frac{1}{2}$	46.40	43 $\frac{1}{2}$	43	43 $\frac{1}{2}$	44 $\frac{1}{2}$	43 $\frac{1}{2}$
Vienna ...	Sch. 34.58 $\frac{1}{2}$	34.45 $\frac{1}{2}$	30	31 $\frac{1}{2}$	29	30 $\frac{1}{2}$	30 $\frac{1}{2}$
Prague ...	Kr. 164.25	163 $\frac{1}{2}$	130	130	131	133 $\frac{1}{2}$	131 $\frac{1}{2}$
Buenos Aires ...	47.62d.	38 $\frac{1}{2}$ d.	33d.	29 $\frac{1}{2}$ d.	32 $\frac{1}{2}$ d.	32 $\frac{1}{2}$ d.	32 $\frac{1}{2}$ d.
Rio de Janeiro ...	5.89d.	4 $\frac{1}{2}$ d.*	3 $\frac{1}{2}$ d.	3 $\frac{1}{2}$ d.*	3 $\frac{1}{2}$ d.*	3 $\frac{1}{2}$ d.	3 $\frac{1}{2}$ d.
Valparaiso ...	Pes. 40	39.97	32.50	32.50	32.00	32.40	32
Bombay ...	18d.	17 $\frac{1}{2}$ d.	17 $\frac{1}{2}$ d.	17 $\frac{1}{2}$ d.	17 $\frac{1}{2}$ d.	17 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.
Hong Kong ...	—d.	15 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.	14 $\frac{1}{2}$ d.*	15 $\frac{1}{2}$ d.*	15d.	15d.
Shanghai ...	—d.	19 $\frac{1}{2}$ d.	18 $\frac{1}{2}$ d.	19 $\frac{1}{2}$ d.	19 $\frac{1}{2}$ d.*	19 $\frac{1}{2}$ d.	19 $\frac{1}{2}$ d.

* Nominal.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Oct. 24, 1931.	To Oct. 25, 1930.	Expenditure.	To Oct. 24, 1931.	To Oct. 25, 1930.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	60.8	66.9	Nat. Debt Service ...	174.8	167.3
Sur-Tax ...	17.1	14.7	Northern Ireland Payments...	2.8	3.0
Estate Duties ...	38.1	47.4	Other Cons. Fund Services...	1.3	1.5
Stamps ...	7.3	9.1	Supply Services ...	234.8	236.0
Customs ...	75.1	69.3	Ordinary Expenditure ...	413.7	407.8
Excise ...	66.4	71.3	Sinking Fund ...	20.8	25.7
Tax Revenue ...	266.5	280.3	Self-Balancing Expenditure ...	37.2	39.2
Non-Tax Revenue ...	35.5	61.9			
Ordinary Revenue ...	302.0	342.2			
Self-Balancing Revenue ...	37.2	39.2			

Trade

1. PRODUCTION

Date.				Coal.*	Pig-Iron.	Steel.
				Tons mn.	Tons thou.	Tons thou.
1930.				4.6	425	581
September	...	...	...
1931.						
April	...	...	...	4.3	323	397
May	...	...	...	4.2	347	435
June	...	...	...	4.2	324	429
July	...	...	...	3.8	317	429
August	...	...	...	3.8	276	357
September	...	...	...	4.2	248	401

* Average weekly figures for month.

2. IMPORTS

Date.				Food.	Raw Materials.	Manufactured Goods.	Total.
				£ mn.	£ mn.	£ mn.	£ mn.
1930.				36.7	16.5	24.6	78.7
September	...	...	...	
1931.							
April	...	...	...	32.5	15.5	20.9	70.0
May	...	...	...	33.3	14.6	21.0	69.6
June	...	...	...	33.4	14.1	20.2	68.6
July	...	...	...	35.1	13.6	20.7	70.1
August	...	...	...	31.8	12.5	20.1	65.3
September	...	...	...	33.6	11.2	22.6	68.3

3. EXPORTS

Date.				Food.	Raw Materials.	Manufactured Goods.	Total.
				£ mn.	£ mn.	£ mn.	£ mn.
1930.				4.2	5.0	32.1	42.7
September	...	...	...	
1931.							
April	...	...	...	2.9	4.1	24.3	32.5
May	...	...	...	2.8	4.0	26.0	33.9
June	...	...	...	2.6	4.0	21.6	29.4
July	...	...	...	2.7	3.8	26.5	34.2
August	...	...	...	2.6	3.4	22.0	29.1
September	...	...	...	2.7	3.7	22.2	29.8

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January	11.0	12.0	10.7	12.2	12.6	21.5
February	10.4	10.9	10.4	12.2	13.1	21.7
March	9.8	9.8	9.5	10.1	14.0	21.5
April	9.1	9.4	9.5	9.9	14.6	20.9
May	14.3	8.7	9.8	9.9	15.3	20.8
June	14.6	8.8	10.7	9.8	15.4	21.8
July	14.4	9.2	11.6	9.9	16.7	22.6
August	14.0	9.3	11.6	10.1	17.1	22.7
September	13.7	9.3	11.4	10.0	17.6	23.2
October	13.6	9.5	11.8	10.4	18.7	
November	13.5	9.9	12.1	11.0	19.1	
December	11.9	9.8	11.2	11.1	20.2	

Percentage of Insured Workers.

484 Prices

1. WHOLESALE PRICES (average for month)

Date.		Index Number (1928-9 average = 100).				
		U.K.	U.S.A.	France.	Italy.	Germany.
September 1930.	...	122.9	120.8	122.9	121.0	103.4
September 1931.	...	110.4	107.8	112.5	107.4	104.5
April ...	...	107.1	104.3	110.4	105.3	104.0
May ...	...	104.7	101.7	108.8	103.1	103.3
June ...	...	104.7	101.2	107.3	100.9	102.6
July ...	...	101.6	100.4	105.0	100.6	101.3
August ...	...	101.9	99.6	99.4	99.5	99.8
September	...	105.9	98.7	96.9	98.8	98.9
September, 5th week...	...	107.0	98.7	96.9	99.5	98.6
October, 1st week ...	...	108.0	98.9	96.9	99.7	98.0
October, 2nd week ...	...	109.0	99.3	97.0	99.7	98.6
October, 3rd week ...	...	109.0	99.3	97.0	99.9	98.7
October, 4th week ...	...				

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamst.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1930.						
September ...	43	53	105—110	70—75	75	56
1931.						
April	29	54	95—100	75	75	47
May	27	54	95	70	75	45
June	30	54	95	70	75	47
July	28	54	95	70	75	45
August	28	54	90—95	70—75	75	45
September ...	28	54	90	75	75	45

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton, American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
September 1930.	Per qr. s. d.	per lb. d.	per lb. d.	Per ton. s. d.	Per ton. £	per lb. d.
September	34 5½	6.22	27	63 6	132½	4½
September 1931.	...	...	...	...	...	...
April ...	28 0	5.68	24½	58 6	112½	3½
May ...	28 2	5.16	23½	58 6	104½	3
June ...	27 1	4.80	21½	58 6	105	3
July ...	25 5	5.21	22½	58 6	111½	3
August ...	23 11	3.92	22½	58 6	114½	2½
September	25 9	3.96	21	58 6	117½	2½

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The duties of a Trustee or Executor are sometimes arduous, always responsible. Even if you have friends or relatives with the necessary experience, you may well hesitate to burden them with the cares of Trusteeship; because, with the best will in the world, they may find themselves unable to devote to your affairs as much time and attention as they could wish.

Lloyds Bank provides a solution. Its Trustee Department has a long and wide experience of such work; and apart from the expert knowledge which is brought to bear on every case, there is the great advantage of *continuity*. With the Bank as Trustee or Executor, no delay or expense can be caused through death, ill-health or absence abroad, as in the case of an individual. Yet you will find the Bank far from impersonal in its Trustee business: it is always ready to co-operate with the solicitors dealing with a Trust or Will.

The local Manager of Lloyds Bank will be pleased to explain the preliminaries, and enlist the services of the Trustee Department, which is prepared to act either solely or jointly as Trustee, Executor or Administrator of Estates, etc., in a wide variety of circumstances.



Lloyds Bank Limited

Trustee Department : 39 Threadneedle Street, London, E.C.2
